TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE Transcriber's Office

April 3, 2000 LB 1010

it's terrible. If you return...a return on what you paid for it, it's usually pretty good. The trouble is you can't live on the difference in-between the market value and its purchase value. You depend on the return and so the land is caught here. The land is a long-term notoriously poor return on investment unless you count the value of its increasing value. And I wanted to be sure in your amendment that that does not count because then they could evade probably forever if land values keep going up. But the return is always...

SPEAKER KRISTENSEN: Right.

SENATOR WEHRBEIN: ...going to be terrible, so.

SPEAKER KRISTENSEN: That...

SENATOR WEHRBEIN: I will turn the rest of my time over to you. I'm done.

SPEAKER KRISTENSEN: Thank you and I appreciate that. that's what's so important here is that when Senator Baker talks about their 8.5 percent return, when they do expected long-term rates, and this is the figures from the investment people, part of that is certainly that they're talking about some capital gain that they reinvest. Now we're not doing that here so that's how you can get to 8.5 percent long-term average rate of return. That's what the Investment Council is going to be able to provide you long-term. All I'm saying is that if you're going to sell this land then the amount of money that we're getting from the leases, if that is greater than 8.5 percent, you shouldn't sell it because long-term you're going to get 8.5 percent. If we can get more than that from the agricultural leases, I think you're foolish to sell it. And if you don't have an amendment like this, what occurs is they're going to go sell off the best producing land first because it makes the most amount of money. Well, that's exactly opposite of our best Our best interest would be to sell off nonproducing, the nonearning property first and so you could sell that because those rates, let's say you have an opportunity to sell it for \$1,000 an acre. Well, if you're getting a lease of \$100 off of that, that's a 10 percent return of investment. You probably shouldn't be selling that piece of property.